Is Corruption a Collective Action Problem or a Principal Agent Problem?
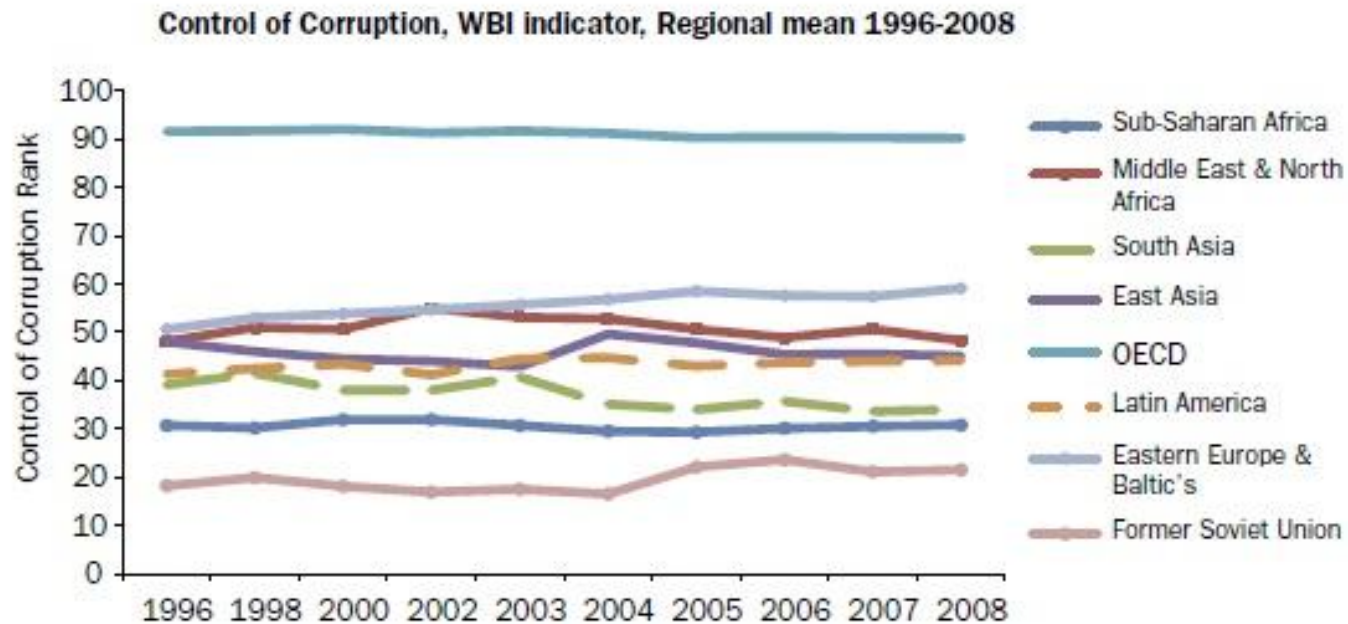
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Effectiveness

Figure 1. Evolution of control of corruption by global regions (on average)

Control of Corruption, WBI indicator, Regional mean 1996-2008

Effectiveness

Norad study:Mungiu-Pippidi, A. et al, Contextual Choices in Fighting Corruption: Lessons Learnt (Oslo: Norad, 2011)

Mandate: "To see what could be learnt from exposed weaknesses in current support to fighting corruption at country level and identify approaches that can be more effective in fighting corruption in different governance contexts."

- Statistically tested the effects of the various typical anti-corruption instititions on corruption levels: *no difference except for freedom of information laws (FOI)*

- Showed that donor support to 'good governance' has *no statistically demonstrable effect on corruption levels.*

Effectiveness

Why is the global anti-corruption agenda failing to deliver?

The global anti-corruption agenda is based on *two assumptions*.

First, that *the prevailing societal norm for the use of entrusted authority is 'ethical universalism'/impartiality*, which means that everyone is treated the same irrespective of identity (i.e. social, political and economic capacities and connections do not matter), and that equal cases are treated equally in accordance with set formal criteria for the use of entrusted authority. *-Most societies do not have that prevailing norm for how to use entrusted authority.*

Second, that *corruption is an exceptional behaviour and not the most common type of transaction (the norm)* in political life and public administration. *–In many societies corruption is the norm and not the exception. Law enforcement does not have the capacity to change prevailing social norms but only to repress/deter exceptional behaviour, i.e. where corruption is the norm, all law enforcement can do is to send a signal. Where corruption dominates, formal norms (the rule of law) fail to be implemented.*

Defining the Problem

"What is presented in most anti-corruption literature as a principal-agent problem is in fact a collective action problem, as societies reach a sub-optimal equilibrium of poor governance and there is insufficient domestic agency to push for change. This has important practical consequences, as *most anti-corruption instruments that donors favour are norm-infringing instruments from the developed context, when they should be norm-building instruments for developing contexts."*

Source:Mungiu-Pippidi, A. et al, Contextual Choices in Fighting Corruption: Lessons Learnt (Oslo: Norad, 2011), p.7.

Governance Regime Types

Governance regimes	Limited Access Order			Open Access Order (Universalism)
	Patrimonialism	Competitive particularism	Borderline	
1. Power distribution	Hierachical with monopoly of central power	Stratified with power disputed competitively	Competitive with less stratification	Citizenship equality
2. State autonomy	State captured by ruler	State captured in turn by winners of elections	Archipelago of autonomy and captured 'islands'	State autonomous from private interests (legal lobby, etc)
3. Public resources allocation	Particular and predictable	Particular but unpredictable	Particular and universal	Ethical universalism
4. Separation public-private	No	No	Poor	Sharp
5. Relation formal/informal institutions	Informal institutions substitute for formal ones	Informal institutions substitute for formal ones	Competitive and substitute	Complementary
6. Mentality	Collectivistic	Collectivistic	Mixed	Individualistic
7. Government accountability	No	Only when no longer in power	Occasional	Permanent
8. Rule of law	No; sometimes ('thin')	No	For elites only	General ('thick')

Governance Regime Types

Governance Regime Type	Patrimonialism Competitive Particularism	Universalism/Impartiality
Nature of the problem	Collective Action Problem	Principal-Agent Problem
Political will/blockers	Political settlement	Political settlement
Means for change	Leadership	Law
Pressure	Beneficiaries of improvement	Beneficiaries of improvement
Definition of corruption	"Abuse of entrusted legitimate authority for illicit gain"	"Abuse of enstrusted authority for private gain"

Political Settlement

- Political settlement describes the informal power arrangements or the "social order" in a country that is accepted by the *dominant elite coalition* as being aligned with their dominant interests.

- Key elements: actors, interests, and institutions.

Political Settlement

- "The critical element that holds a political settlement together is the *alignment of interests within the dominant elite coalition*, and the *dynamic relationship between elite interests and the broader array of interests in the society*..." (Parks & Cole, 2010, p. Viii)

The dynamic relationship between elite interests and the broader array of interests in society

News > World news > Morocco

Morocco's king bows to pressure and allows reform

Mohamed VI rewrites constitution and gives elected politicians greater power after biggest protests in decades

Giles Tremlett and Agencies in Rabat
The Guardian, Saturday 18 June 2011
Article history

Morocco's King Mohamed VI, who announced the reforms in a TV address, has kept exclusive control over the military and religion. Photograph: Azzouz Boukallouch/AP

Morocco's king, Mohamed VI, has responded to the Arab spring by rewriting his country's constitution and giving greater power to elected politicians but leaving him with a firm grip on security, the army and religious matters.

The draft constitution, which will be put to referendum on 1 July, sees some power being shifted away from the Arab world's longest-serving dynasty and from the tight clique of palace officials who dominate Morocco.

Among other measures, the new constitution explicitly states that the king will now have to pick the country's prime minister from the party that wins elections to what, up until now, has been a largely rubber-stamp parliament.

While the government gains executive powers, the 47-year-old monarch has kept exclusive control over the military and over religion.

And analysts pointed out that while the prime minister would be in charge of domestic policy, he does so with the king's permission and with the monarch still able to pass his own decrees.

"He is sharing some executive powers with the PM [but] still retains significant ones," said the respected, if anonymous, Maghreb Blog on its Twitter feed. "The changes do nothing to his real discretionary, religious and military powers."

Political Settlement

- "Institutions are viewed as malleable –as the product of ongoing conflict, negotiation, and compromise among powerful groups, with the ruling coalition shaping and controlling this process. In most cases, power relations are fluid and dynamic, and political settlements are constantly adapting and subject to renegotiation and contestation." (Parks & Cole, 2010, p. Viii)

Political Settlement

- What do the political settlements look like in the MENA region at this time?

- Who represent the ruling coalitions at local level? What interests do they represent and seek to protect?

- If corruption is a collective action problem, what strategy is useful to influence a political settlement? What change does it need to embrace?

Collective Action vs Principal Agent Problem

Principal-Agent Problem	Collective Action Problem
Two key assumptions: (1) that **a goal conflict exists** between so-called *principals* (who are typically assumed to embody the public interest) and *agents* (who are assumed to have a preference in favor of corrupt transactions insofar as the benefits of such transactions out-weigh the costs) and (2) that **agents have more information than the principals** (*information asymmetry).*	Two key assumptions: (1) For a rational actor, insofar as **corrupt behavior is the expected behavior, *everyone* should be expected to act corruptly**, including both the group of actors to whom the principal–agent framework refers to as "agents" and the group of actors referred to as "principals." (2) The **short-term costs of being an honest individual resisting corruption are comparatively high** since this will eventually not change the game for how things are done but only cause a personal cost of 'losing out'.

Collective Action vs Principal Agent Problem

Principal-Agent Problem	Collective Action Problem
Corruption occurs when an agent betrays the principal's interest in the pursuit of his or her own self-interest. This betrayal is in turn made possible by the information asymmetry between the two groups of actors.	All **the actors may well understand that they would stand to gain from erasing corruption, but because they cannot trust that most other actors will refrain from corrupt practices, they have no reason to refrain from paying or demanding bribes.**

Collective Action vs Principal Agent Problem

Principal-Agent Problem	Collective Action Problem
The **principal should aim at negatively affecting the agent's motivations** to engage in corrupt behavior. This could most effectively be done through control instruments that decrease the level of discretion among agents, limit the monopoly of agents, and increase the level of accountability in the system.	**Monitoring devices and punishment regimes are largely ineffective** since there will simply be no actors that have an incentive, or a *sufficiently strong* incentive, to hold corrupt officials accountable. **The important thing will be to change actors' beliefs about what "all" other actors are likely to do so that most actors expect most other actors to play fairly.** This requires *formal* and *informal* mechanisms of control in the form of monitoring and accountability mechanisms and, methods to enhance citizen-to-citizen trust and citizen-to-public institution trust. However, **accountability mechanisms cannot rely on a principal alone.**

Collective Action vs Principal Agent Problem

| Principal-Agent Problem	Collective Action Problem
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Contemporary Achievers

- The countries that have recently managed to considerably improve their control of corruption have followed their own routes. No singel institution and activties can be pointed out.

- Consensus is emerging in research that fighting corruption is a national political question, and not so much a legal-technical issue, as the political settlement often sets the limits to the possible change.

Contemporary Achievers
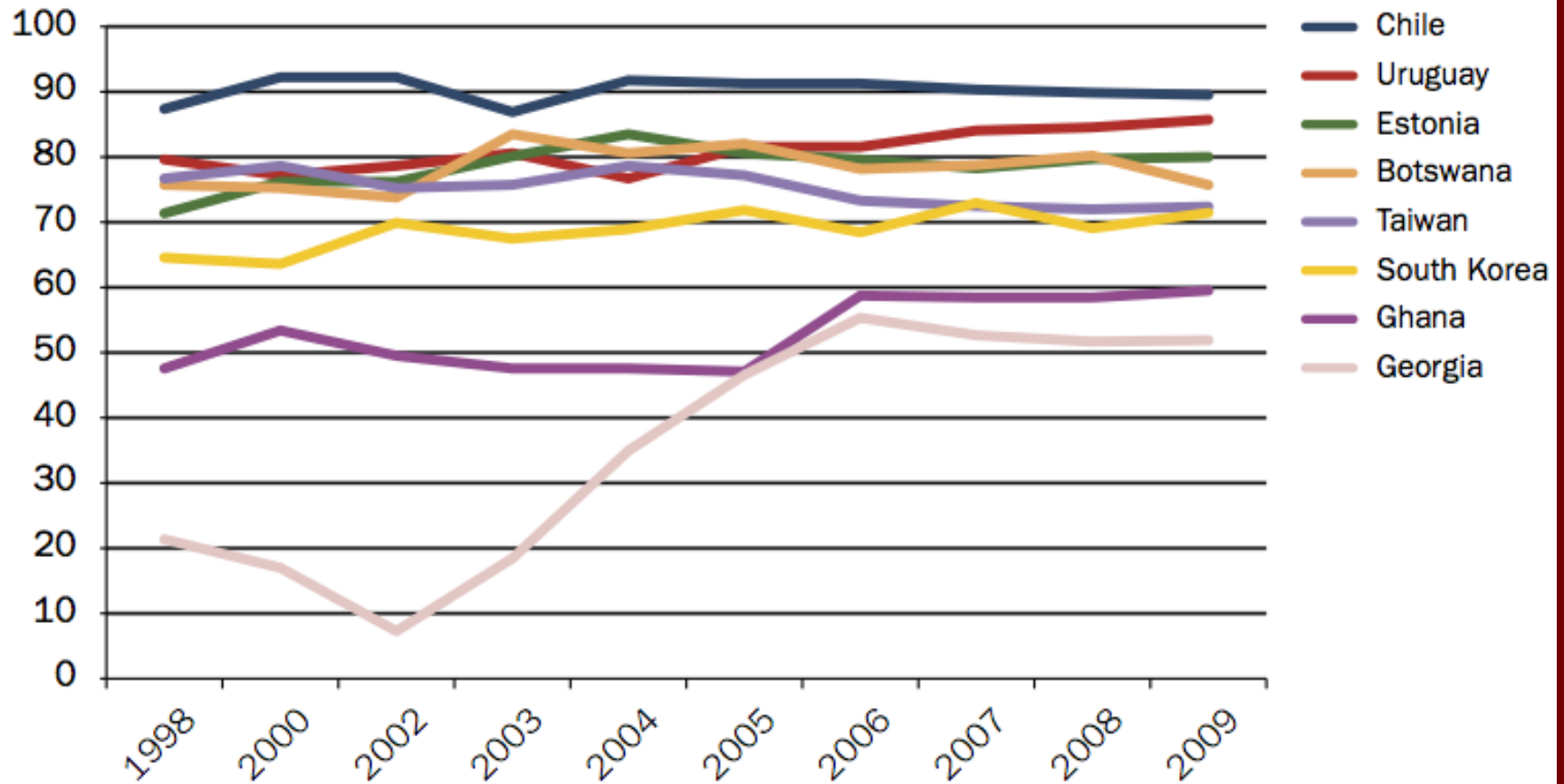
Source: Worldwide Governance Indicators, World Bank.

Thank you!